

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 ACDA-12 CIAE-00
INR-10 IO-13 L-03 NSAE-00 NSC-05 EB-08 NRC-05
OES-07 SOE-02 DODE-00 DOE-11 SS-15 SP-02 CEQ-01
PM-05 H-01 PA-01 USIA-06 OMB-01 AID-05 /140 W
-----012164 081533Z /45

R 080340Z MAR 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 9725
INFO AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 1868

E.O. 11652: GDS
TAGS: BEXP, EFIN, BENC, OECD, UK, US
SUBJ: KORI NUCLEAR POWER STATIONS THREE AND FOUR

REF: SEOUL 1495

1. FOLLOWING UP ON REFTEL CONVERSATION, ECON COUNSELOR
DISCUSSED TURBINE-GENERATOR SUPPLIER SELECTION WITH EPB ASST
MINISTER FOR ECONOMIC COOPERATION CHOI SUN-RAY ON MARCH 7.
CHOI HAD SOUGHT FULL REVIEW FOR EMBASSY FROM KECO BUT HAD NOT
RECEIVED A RESPONSE. HE AGREED TO FOLLOW UP. IN THE MEANTIME,
HE ALLOWED US TO TAKE NOTES ON SUMMARY PRESENTATION BY KECO
WHICH SUPPORTED KECO SELECTION OF GEC AND WESTINGHOUSE.

2. SUMMARY TABLE SHOWED (IN MILLIONS OF DOLLARS):

	GE	WESTINGHOUSE	GEC	BBC
TURBINE GENERATOR PRICE	\$97	98	89	122
ESCALATION	17	22	20	3
INTEREST DURING CONSTRUCTION	63	49	43	27
SUBTOTAL	176.9	168.9	152.3	151.1
PENALTY	10.7	15.9	17.9	19.1

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TOTAL: 187.6 184.8 170.2 170.2

3. "PENALTY" IS APPARENTLY PRESENT-VALUE CALCULATION OF
THE DIFFERENT WON TERMS. SWISS FINANCING IS 12 YEAR LOAN
AT 5 PERCENT AND ECGD, 15 YEAR LOAN AT 7 PERCENT. THE SWISS
WERE THROWN OUT, ACCORDING TO THEIR LOCAL AGENT DAEWOO AND EPB

SOURCES, BECAUSE OF EXPECTED SWISS FRANC APPRECIATION. A BACK-UP TABLE, WHICH WE SAW BUT COULD NOT FULLY UNDERSTAND, SUGGESTS THAT THE 5 PERCENT LOAN WOULD BE THE MOST ATTRACTIVE OF THE TERMS THE SWISS OFFERED, AND THAT THE OTHER BASIS THEY OFFERED WOULD BE UNATTRACTIVE RELATIVE TO THE OTHER COUNTRY OFFERS.

4. FROM THIS SUMMARY ACCOUNT, IT IS CLEAR THAT A VERY WIDE MARGIN STILL SEPARATES GEC FROM EITHER US SUPPLIER. LOCALIZATION ALSO DOES NOT SEEM TO HAVE PLAYED MUCH OF A ROLE AND WITH SUCH A WIDE DIFFERENCE, WOULD SEEM TO BE A RATHER EXPENSIVE BY-PRODUCT OF SELECTING GE. HOWEVER, WE ARE STILL NOT CLEAR HOW MUCH LOCALIZATION GEC HAS AGREED TO.

5. WE PLAN TO PURSUE KECO FOR FURTHER ENLIGHTENMENT ON THE BID EVALUATION. WE ARE NOT VERY HOPEFUL, HOWEVER, THAT WE CAN PERSUADE KECO TO BE LESS SECRETIVE, GIVEN THE STAKES AT PLAY AND THE ENORMOUS COMPETITIVE PRESSURES THEY EVOKE. IN THE MEANTIME, WE HAVE CLASSIFIED THE DATA TRANSMITTED HERewith IN ORDER TO PROTECT OUR EPB SOURCE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR POWER PLANTS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 08 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL01868
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780104-0654
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780392/aaaadafq.tel
Line Count: 82
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 13be97cb-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 SEOUL 1495
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3403629
Secure: OPEN
Status: NATIVE
Subject: KORI NUCLEAR POWER STATIONS THREE AND FOUR
TAGS: BEXP, EFIN, BENC, UK, US, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/13be97cb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014